Section VI

Retail Industry

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The Retail Industry in Hampton Roads

Trade is the backbone of a regional economy because the exchange of goods and services is a primary driver in creating value and providing benefit to market participants. One of the best ways to measure trade is through retail sales. When Hampton Roads' economy expands, retail sales grow as increased income quickly passes through to consumption of goods and services. Conversely, during the most recent recession, retail sales shrunk considerably as individuals cut back on purchases.

Hampton Roads' retail employment declined from 93,800 jobs in 2007 to 84,000 in 2010. Although it has grown to 88,700 in the past seven years, employment in the retail industry remains 5.4% below 2007 levels. Interestingly, retail employment fell despite an increase in retail sales, which grew by 8.4% between 2007 and 2017, but once adjustments for inflation are made, retail sales are 8.8% below 2007 levels. While retail sales have experienced some recovery from their 12.6% decline during the recession, the number of retail establishments in the region only started growing in 2012, and retailers have exercised caution against increasing payrolls until the region recovers further.

The regional and national retail experience have diverged considerably, and while both Hampton Roads and the country saw a proportional decline in retail sales, the U.S. retail recovery has been more robust than that of the region. Retail sales have increased by 54.1% nationally since March 2009, while Hampton Roads' retail sales only began rising after March 2010, growing by 28.0%.

While some retail sales have been lost to the growth of internet sales, there seem to be other factors at work as well. Despite the continued growth of regional incomes during the recovery, the retail sales industry has likely been held back by the decline in household wealth during the recession.

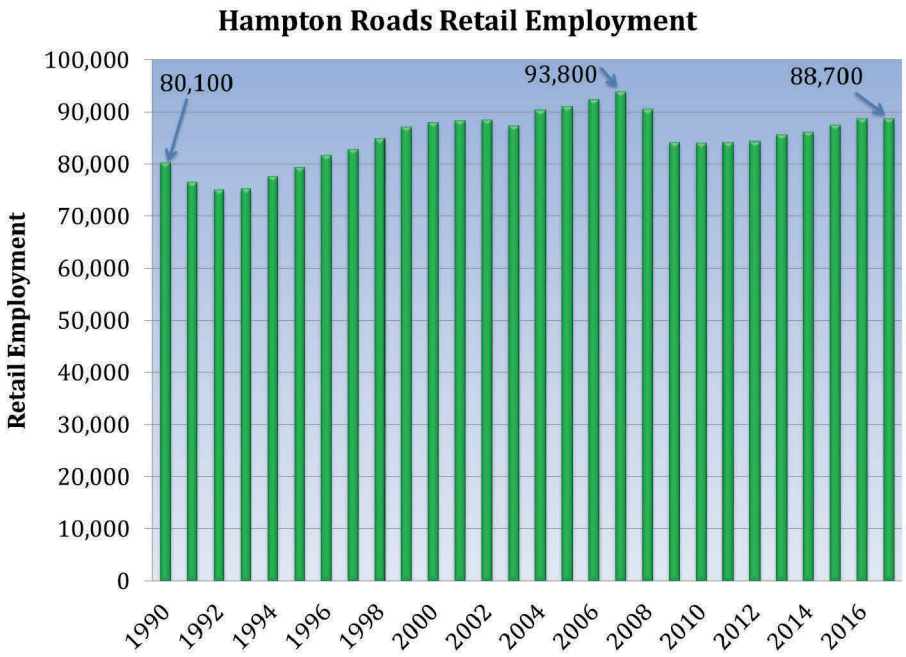
Figure 6.1 Employment in the Hampton Roads Retail Industry

Why is it important?

One measure of the economic impact of the retail trade industry comes from counting the number of employees the industry supports in the region.

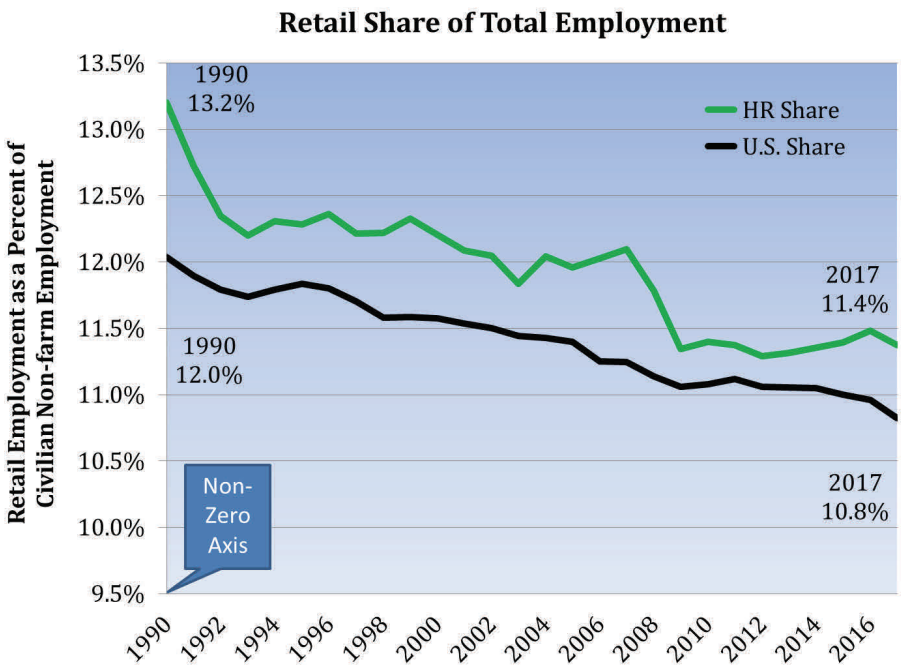
How are we doing?

Regional retail employment fell from its 2007 peak of 93,800 jobs and has yet to replace those positions. Retail employment has increased by 10.7% since 1990, but during the same period regional sales have increased by 29.2%. Employment still lags behind the prerecession peak by 5,100 jobs (-5.4%)



Source: Bureau of Labor Statistics, HRPDC

Figure 6.2 Retail Employment as a Share of Total Employment in Hampton Roads and the U.S.



Source: Virginia Employment Commission, HRPDC

Why is it important?

A measure of the importance of retail trade to the regional economy is the share of employment that has been derived from retail sales.

How are we doing?

Retail employment as a share of total employment has declined steadily since 1990, declining to 11.4% in 2017. The most significant periods of decline have occurred during recessions, indicating that retail employment tends to be sensitive to economic conditions. Retail employment forms a greater share of total employment regionally than in the United States as a whole.

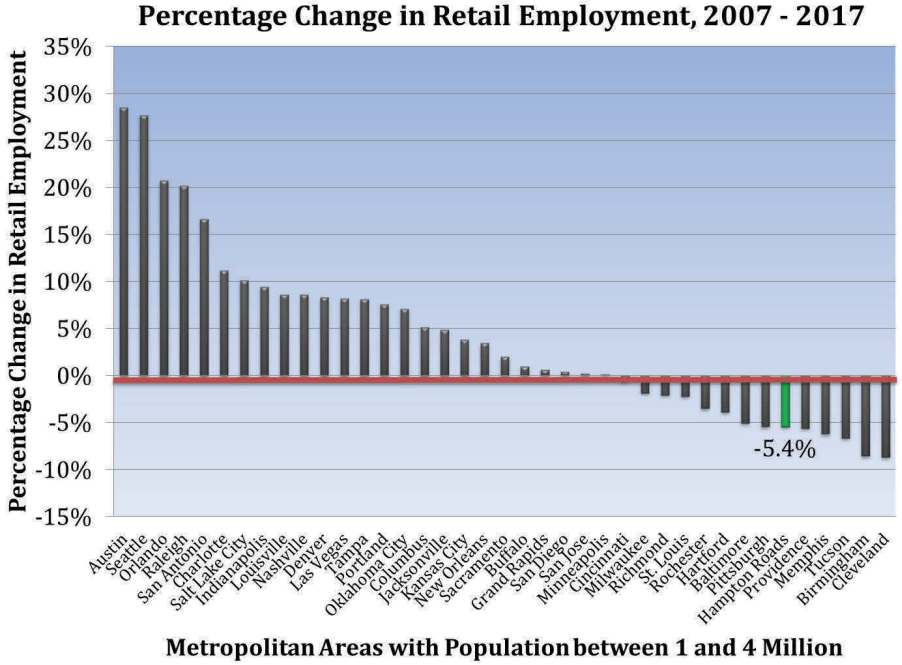
Figure 6.3 Change in Retail Employment in Hampton Roads and Reference Metro Areas

Why is it important?

It is difficult to measure retail sales of a variety of metropolitan areas using government statistics, thus comparing retail employment enables perspective on how different metropolitan areas have performed over time.

How are we doing?

Hampton Roads saw a much steeper decline in retail employment than the majority of its reference MSAs. Hampton Roads' retail employment has declined 5.4% since the start of the recession, which stands in contrast to other regions where employment has had a stronger recovery.



Source: Bureau of Labor Statistics, HRPDC

Figure 6.4 Distribution of Retail Employment

Why is it important?

The retail sector consists of a variety of sub-sectors, each of which are subject to unique market forces. In order to appreciate how market changes affect the retail industry, it is important to observe the composition of retail employment.

How are we doing?

General merchandise, food & beverage stores, and motor vehicles & parts account for the majority of retail employment in Hampton Roads. A myriad of other business categories constitute the other 45% of retail employment.

Source: Bureau of Labor Statistics, HRPDC

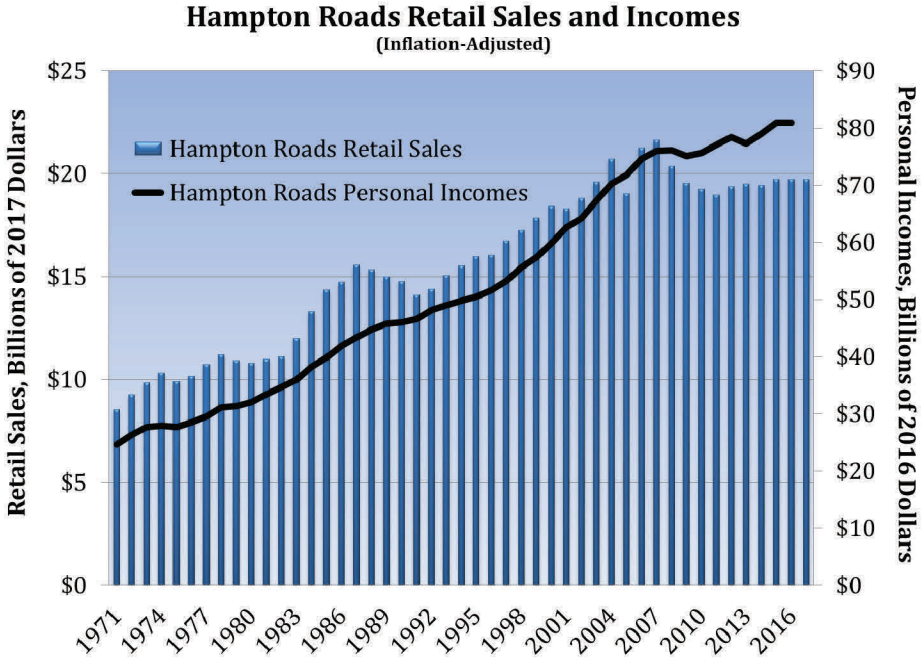
Figure 6.5 Inflation-Adjusted Taxable Retail Sales and Income

Why is it important?

Retail sales and incomes should be closely linked, and generally increase at the same rate, but will diverge significantly over short periods of time.

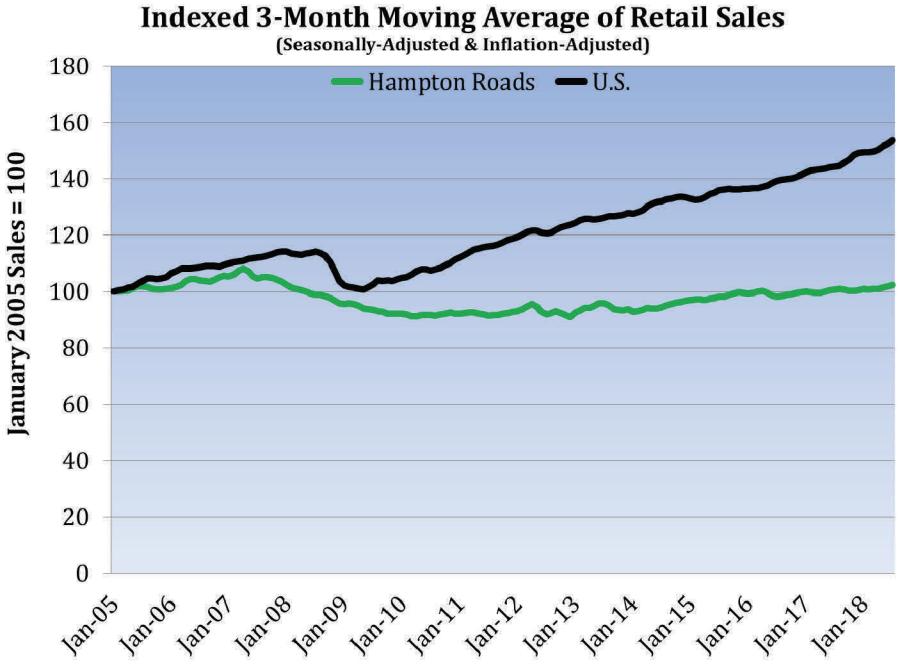
How are we doing?

While Hampton Roads' incomes held relatively constant through the recession, retail sales significantly declined and have yet to fully recover. While it is unclear what has driven this deviation, it probably has its roots in the local decline in household wealth from the housing correction and general weakness in tourism since the start of the recession.



Source: Virginia Department of Taxation, Bureau of Economic Analysis, HRPDC

Figure 6.6 Monthly Hampton Roads Taxable Sales and U.S. Retail Sales



Source: Virginia Department of Taxation, U.S. Census Bureau, Bureau of Economic Analysis, HRPDC

Why is it important?

Indexed sales at the regional and national level should change at the same rate assuming equal economic performance. Divergence between retail sales indicates the relative health of retail and the economy in general.

How are we doing?

Hampton Roads' retail sales began declining earlier than U.S. sales after peaking in March 2007. While national retail sales declined to a similar extent, regional retail sales have not recovered at the same pace as they have nationally.

Figure 6.7 Retail Sales by Business Category

Why is it important?

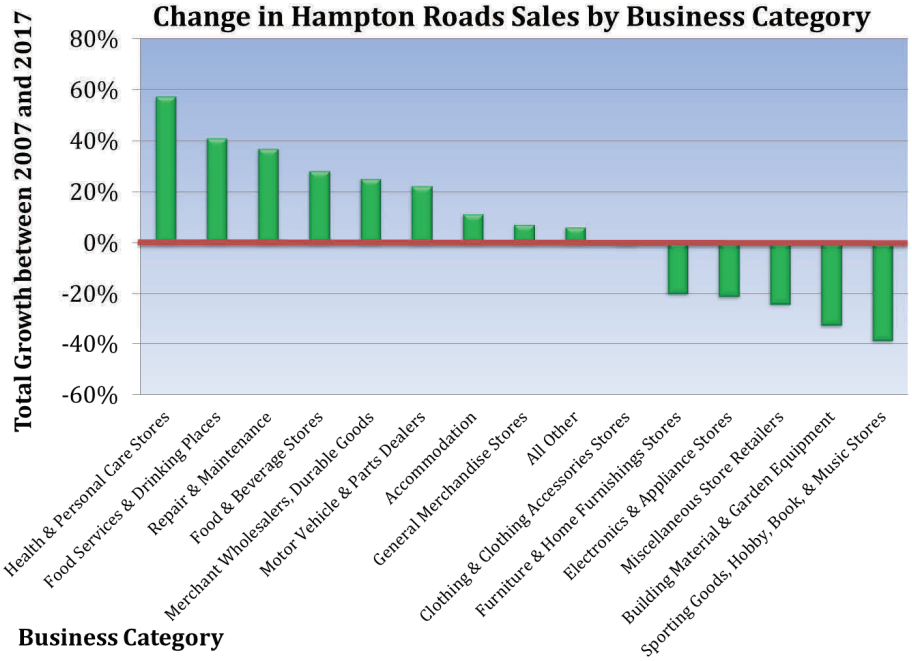
Hampton Roads had 69 different business categories with retail sales in 2017. Measuring the retail sales by type of business offers an alternative understanding of different business category impacts on the regional economy.

How are we doing?

General merchandise stores, which includes department stores as well as businesses such as Walmart and Target, comprise the largest share of sales in the region. Grocery stores (food and beverage) and restaurants (food services and drinking places) round out the top three.

Source: Virginia Department of Taxation, HRPDC

Figure 6.8 Change in Retail Sales by Business Category



Source: Virginia Department of Taxation, HRPDC

Why is it important?

Growth or decline in retail sales by business category indicates how the regional economy is changing and how various business categories have responded to recent economic conditions.

How are we doing?

Health & personal care products spending has grown since the beginning of the recession. Surprisingly, spending at restaurants has also grown through this period, both on a regional and a national level. Other categories have underperformed, including electronics and other entertainment/ discretionary goods.

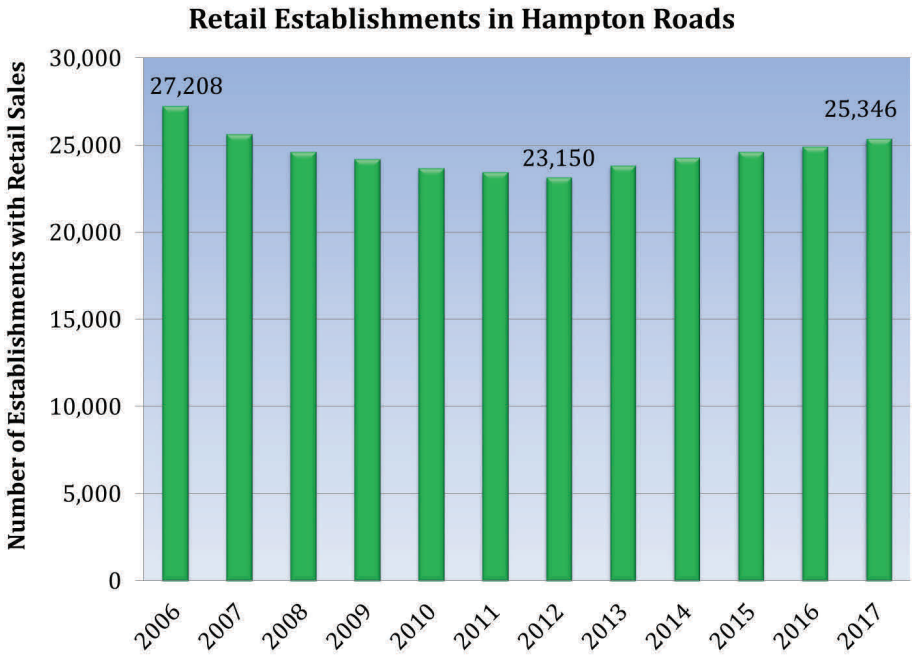
Figure 6.9 Retail Establishments in Hampton Roads

Why is it important?

The number of establishments that have taxable sales serve as another indicator of the health of the retail sector. As the economy improves, the number of retail locations should expand.

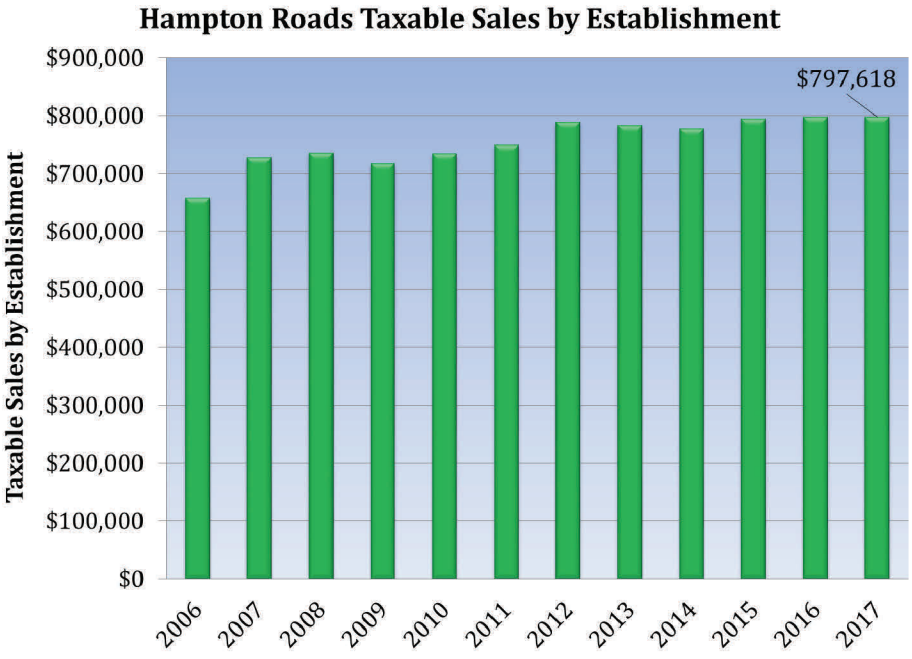
How are we doing?

The number of retail locations declined throughout the recession as businesses closed and new business formation slowed down in Hampton Roads. The number of retail locations has increased over the past five years.



Source: Virginia Department of Taxation, HRPDC

Figure 6.10 Retail Sales per Establishment in Hampton Roads



Source: Virginia Department of Taxation, HRPDC

Why is it important?

Retail sales per establishment measures the health of individual retail outlets, although these numbers need to be analyzed carefully, as the prevalence of big box stores versus smaller boutiques can affect this number.

How are we doing?

Even as retail sales declined during the recession, retail sales per establishment grew slightly as a result of many establishments closing throughout the region. Taxable sales per retail establishment have remained at just around 800,000 even as the number of establishments has grown .

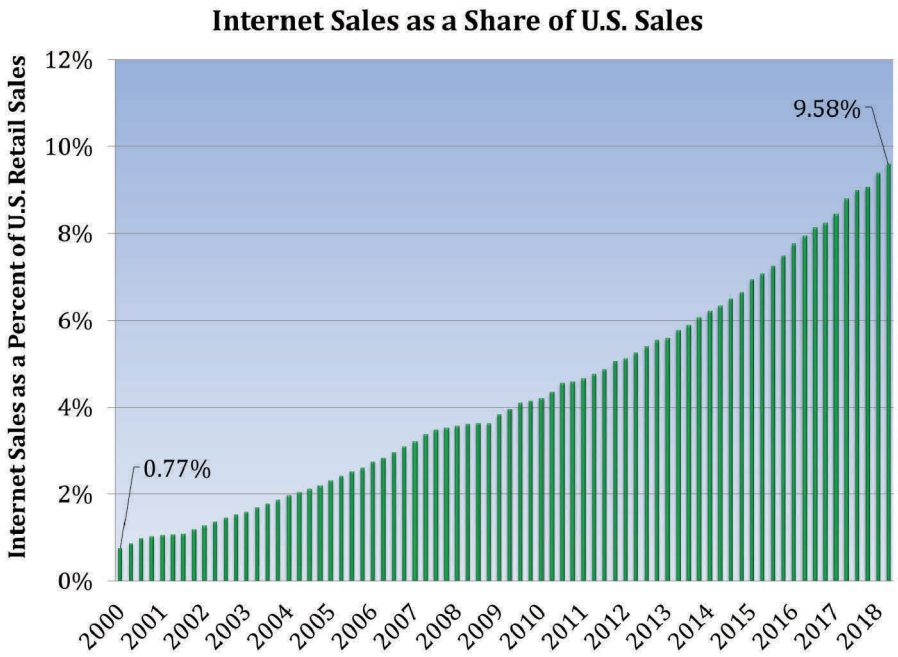
Figure 6.11 Internet Sales as a Percentage of Total Retail Sales in the U.S.

Why is it important?

Internet sales are an important part of modern commerce and offer affordable options for many consumers without adequate local retailers. Unfortunately, few internet retailers directly pay taxes, nor do they hire local workers or pay property taxes to localities.

How are we doing?

Internet sales in Hampton Roads have grown strongly as a share of all U.S. sales since 2000, and now represent almost 9.58% of all retail sales nationally. For comparison, retail employment in Hampton Roads has remained essentially flat over that period.



Source: U.S. Census Bureau, HRPDC